

Message Text

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46

ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 TRSE-00 EB-07 AGR-05 AID-05

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FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 4314

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY PARIS

USMISSION OECD PARIS UNN

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMCONSUL ZURICH

AMEMBASSY BERN

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E.O. 11652: N/A

TAGS: EFIN, SW, EEC, SZ

SUBJECT: POSSIBLE SWISS ASSOCIATION WITH MINI-SNAKE

REF: EC BRUSSELS 2391; BERN 1233; BERN 1340

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1. FIVE SWEDISH COMMERCIAL BANKERS WITH WHOM EMBOFF HAS TALKED GENERALLY EXPECTED SWISS FRANC (SF) TO ENTER EC JOINT FLOAT, WELCOMED PROSPECT AND SAW NO ADVERSE IMPACT ON SWEDEN. SWEDISH CENTRAL BANK OFFICER WAS NON-COMMITAL ABOUT SWEDISH ATTITUDE AND EFFECTS ON SWEDEN.

2. SWISS CONSIDERATIONS. FOREIGN EXCHANGE TRADER FOR SKANDINAVISKA ENSKILDA BANKEN REASONED THAT IN CURRENT ERA OF CAPITAL SHIFTS RESULTING FROM RISE IN OIL PRICES. SWISS HAVE FOUND THAT ALONE THEY CAN NO LONGER CONTROL APPRECIATION OF SF WITHOUT RESORTING TO RESTRICTIVE MEASURES. COMPELLING ALTERNATIVE IS TO OBTAIN ASSISTANCE OF SNAKE MEMBERS IN HOLDING DOWN SF APPRECIATION. ANOTHER COMMERCIAL BANKER THOUGHT LATEST ARTICLES IN GERMAN PRESS INDICATE NEW HESITANCY ON PART OF SWISS WHO APPEAR NOW TO BE CONSIDERING AUSTRIAN PRACTICE OF FOLLOWING SNAKE INFORMALLY FROM OUTSIDE IT AS WELL AS MORE FORMAL ASSOCIATION. ARNE LINDA, DIRECTOR OF FOREIGN RELATIONS FOR CENTRAL BANK, COULD NOT PERCEIVE POLITICAL CONSIDERATIONS AS BEING PROBLEM FOR SWISS. POINTING TO PURELY TECHNICAL ASSOCIATION OF SWEDISH AND NORWEGIAN CURRENCIES WITH SNAKE, HE THOUGHT SAME ARRANGEMENT COULD SERVE SWISS.

3. CONDITIONS OF ENTRY. FOREIGN EXCHANGE TRADER THOUGHT SWISS WOULD WANT TO SEE VALUE OF SF DROPPED SOMEWHAT WITH RESPECT TO DEUTSCHEMARK BEFORE THEY ENTERED. IF SWISS GOT GOOD TERMS, THEY WOULD JOIN, HE THOUGHT.

4. CONSEQUENCES FOR EUROPE AND U.S. ECONOMIST FOR HANDELS-BANKEN THOUGHT AUSTRIA AND FRANCE, BOTH HEAVILY DEPENDENT UPON SWITZERLAND AND GERMANY FOR TRADE, MIGHT EVENTUALLY FIND IT MORE INTERESTING TO JOIN SNAKE IF SF WENT IN. SEVERAL COMMERCIAL BANKERS THOUGHT THAT ENTRY OF SF COULD RESULT IN SOME RECOVERY OF US DOLLAR: WITH SF HELD CLOSE TO OTHER SNAKE CURRENCIES AND ITS REVALUATION THEN LESS LIKELY THAN BEFORE, SPECULATION WOULD BE REDUCED FACTOR IN DETERMINING DOLLAR LEVEL.

5. EFFECT OF SF ENTRY ON SWEDEN. WHILE LINDA PROFESSED TO REGARD QUESTION OF EFFECT OF SF ENTRY ON SWEDEN AS TOO COMPLICATED TO ANSWER OFFHAND, COMMERCIAL BANKERS TENDED TO CONSIDER LIMITED OFFICIAL USE

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IT AS CONTRIBUTING TO MONETARY AND TRADE STABILITY. NONE FORESAW ANY ADVERSE IMPACT ON SWEDEN. HOWEVER, ONE THOUGHT THAT PRESENCE OF STRONG SF IN SNAKE MIGHT MAKE IT MORE DIFFICULT FOR SWEDISH KRONA TO STAY IN JOINT FLOAT IN EVENT SWEDEN DEVELOPED BIG PAYMENTS DEFICIT.
STRAUSZ-HUPE

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